



Labor and Workforce Development

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CHARLIE BAKER
GOVERNOR

KARYN POLITO
LIEUTENANT GOVERNOR

RONALD L. WALKER, II
SECRETARY

Media Contact

Contact: Ann Dufresne (617) 626-7121

Ann.Dufresne@massmail.state.ma.us

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Baker Administration Announces Appointments to Council on the Underground Economy

New permanent Council replaces joint task force which recovered over \$20 million last year in fraudulent employment practices

BOSTON –March 31, 2015-Labor and Workforce Development Secretary Ronald L. Walker, II today announced the Baker administration's appointments to the Council on the Underground Economy (CUE), which works to identify and prosecute workers and businesses which operate underground to avoid state laws and regulations.

The administration's appointments consist of designees of the Executive Office of Administration and Finance, Executive Office of Housing and Economic Development, and the Registrar of Motor Vehicles, with additional members to be named in the coming weeks.

The Council on the Underground Economy was created last year through legislation making permanent the Joint Task Force on the Underground Economy (JTF) first established by Executive Order in 2008. This legislation took effect March 24, 2015. Since its inception, the JTF had grown to over 17 agencies including the Attorney General's Office (AGO), Department of Revenue (DOR), Department of Unemployment Assistance (DUA), Department of Industrial Accidents (DIA) and Department of Labor Standards (DLS) and had collected more than \$76 million from unlawful businesses by enforcing labor, licensing and tax laws.

In announcing new Council members, Secretary Walker also released the annual report which showed that the JTF recovered \$20.1 million in unpaid wages, back taxes, unemployment insurance contributions, fines and penalties through thousands of compliance checks and investigations in 2014.

"This is an important and effective mechanism for leveling the playing field for thousands of legitimate employers who face unfair competition from unscrupulous businesses engaged in the underground economy," said Secretary Walker. "These coordinated and comprehensive enforcement efforts also help protect workers' rights."

As detailed in the [2014 Annual Report](#), the JTF received 122 direct tips through the tip line and online referral service along with hundreds of complaints made directly to partner agencies. In addition to 21,000 compliance checks, the JTF's investigative work included 73 stop work orders issued by DIA, 28 civil citations through the AGO and 120 DOR investigations. Through its case referrals, DUA identified over 450 misclassified workers and \$5.5 million in unreported wages.

"The underground economy and employee misclassification undermine workers' rights and our state economy," Attorney General Maura Healey said. "Companies that misclassify or fail to pay their employees in accordance with the law not only hurt working families, especially those already struggling to make ends meet, but gain an unfair advantage over their competitors. Through the collaborative efforts of the Joint Task Force we have returned significant funds to the Commonwealth and we will continue to combat fraud, protect workers and enforce compliance to stop unlawful business practices."

"Businesses operating outside of the legitimate economy are not paying their fair share, create unfunded liabilities, and have an unfair advantage over law-abiding businesses and their employees. Employees of these operations are, unsurprisingly, more prone to risks of injury and unfair practices, with little to no recourse. As Senate Chair on the Joint Committee on Labor and Workforce Development, I applaud the recent appointments to the Council and look forward to working with the Baker Administration on workers' rights and protections," said Senator Dan Wolf (D-Cape and Islands).

"Since its inception the Joint Task Force has successfully recouped millions in both taxes due to the Commonwealth and wages due to employees. As it transitions to the Council on the Underground Economy, I fully support their efforts to address employer fraud and ensure that legitimate businesses are not placed at a competitive disadvantage. These initiatives not only level the playing field for law-abiding employers, but stop unlawful business practices and ensures full payment of all revenue owed to the Commonwealth," said Representative John W. Scibak (D-South Hadley).

To learn more about the Council on the Underground Economy go to www.mass.gov/cue.

Workers who believe that their rights have been violated and employers who suspect they are at an economic disadvantage because of unscrupulous competitors are urged to call the Attorney General's Fair Labor Hotline at (617) 727-3465 or the CUE Referral Line at (877) 965-2267, email tips to cue@state.ma.us, or visit the CUE website www.mass.gov/cue to submit complaints.

Below are additional comments about the work of the JTF from member agencies and advocates:

The MA Department of Industrial Accidents has proudly participated in the Joint Task Force on the Underground Economy since its inception. Each year DIA's Office of Investigations issues approximately 2,500 stops-work orders to businesses which do not have the Commonwealth's required workers' compensation insurance. Over the past six years the stop-work order process has identified a number of non-compliant businesses resulting in over 45,000 additional workers being covered by workers' compensation insurance. Thank you JTF for being instrumental in this success.

**Linda Edmonds Turner, Acting Director,
MA Department of Industrial Accidents**

"I look forward to working with the Council on the Underground Economy to ensure fairness and competition in our tax system. All employers should play by the same rules and no one should have an unfair advantage."

**Kristen Lepore, Secretary
Executive Office of Administration and Finance**

"We continue to value our partnership with the Commonwealth's Misclassification Task Force, as we work together to combat employer practices that prey on our most vulnerable workers, and that unfairly disadvantage those employers who comply with their wage and hour, safety and health, and other worker protection obligations."

**Michael D. Felsen Regional Solicitor
U.S. Department of Labor, Office of the Solicitor**

As a partner to the Joint Task Force, the Insurance Fraud Bureau of Massachusetts (IFB) has a unit that specializes in investigating workers' compensation premium fraud. The partnership has allowed us to enhance our criminal investigations by jointly working with all members of the Task Force. Those investigations have generated great success. In addition to the great work with the JTF, the IFB has been focusing on workers' compensation premium fraud cases which recouped approximately \$55 million in restitution orders since inception of the bureau in 1991. These recoveries represent 77% of the total amount of restitution awarded on all IFB cases and are only 1% of the IFB case work.

**Dan Johnston
Insurance Fraud Bureau of Massachusetts**

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